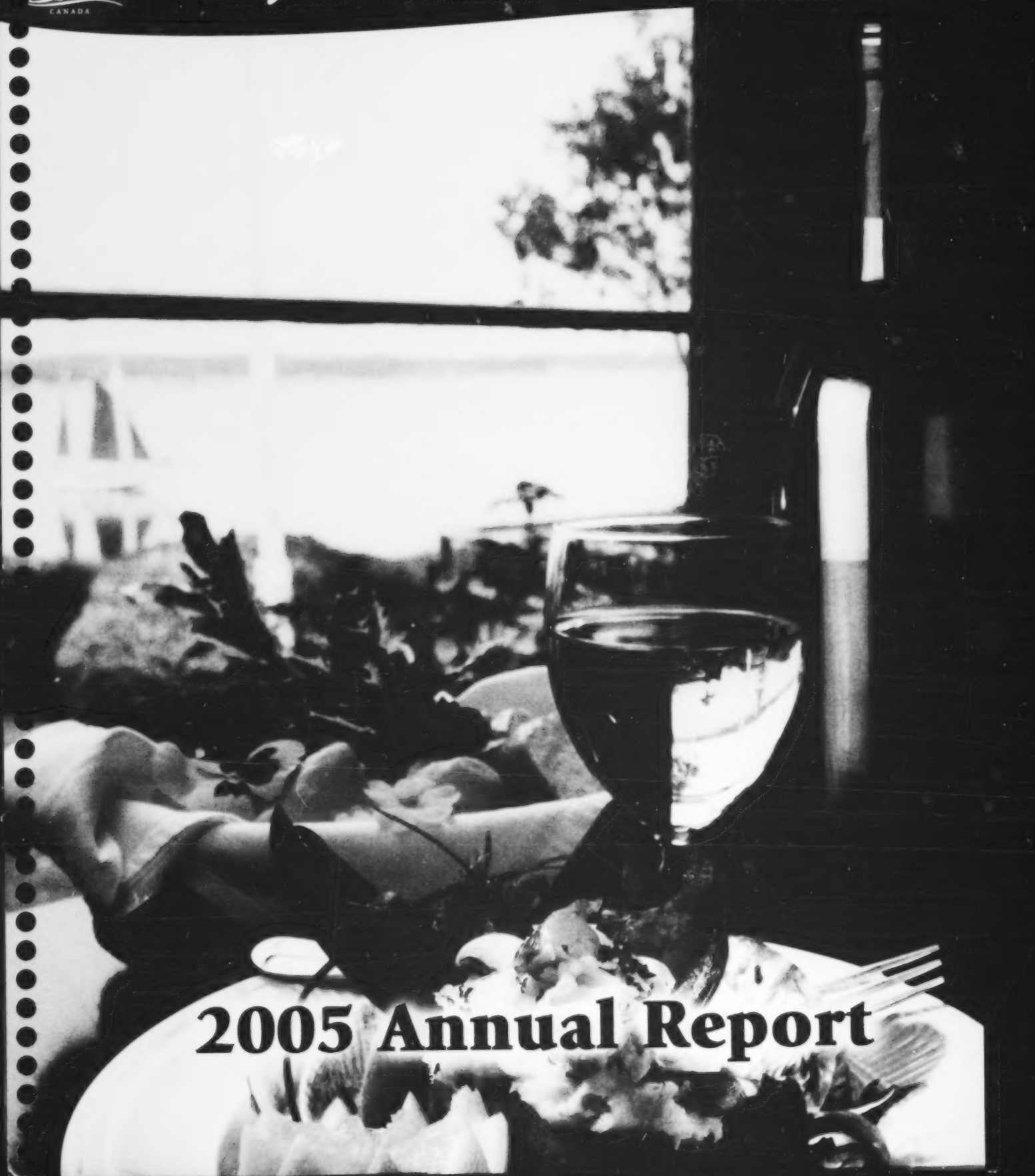
Prince Edward Island
CANADA

Liquor Control Commission



2005 Annual Report

Mission Statement

The PEI Liquor Control Commission regulates the sale of beveraged alcohol under the authority of the *Liquor Control Act*. It manages the distribution of alcohol by:

- operating in a socially responsible manner;
- achieving the revenue goals of the Provincial Government;
- providing suppliers with controlled access to the marketplace on a fair basis from modern, attractive venues;
- encouraging responsibility and moderation in the consumption of beveraged alcohol; and
- providing its employees with equality of opportunity and increased training programs that assist in the individual's personal development and in the commission's overall customer service strategy.

Corporate Vision

The Prince Edward Island Liquor Control Commission will be recognized as a truly superior retailer in Prince Edward Island. We will achieve this through quality products, modern technology and increased services. We intend to build better relationships with customers and suppliers. We will always strive for the best possible value for our customers, staff and other stakeholders.

Corporate Values

- Moderation – *We promote responsible use as a way of life.*
- Quality Service – *We take pride in the quality of our work. We strive for excellence in caring for our customers, suppliers and one another.*
- Continuous Improvement – *As a retailer, we welcome change. We are committed to continuous improvement to all our services.*
- Integrity and Fairness – *We take responsibility and are fully accountable for our actions, decisions and behaviour. We meet our commitments and obligations to co-workers, customers and business partners. We are open, honest and fair.*
- Importance of People – *We are committed to fostering a positive workplace that builds teamwork, mutual respect and encourages individual development.*
- Focus on Results – *We are committed to getting the job done and improving our productivity levels.*

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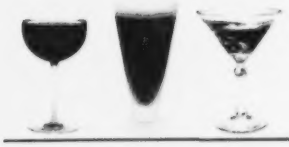

Prince Edward Island Liquor Control Commission 57th Annual Report

For the Year Ended March 31, 2005

Featured in this year's annual report are photos from Queen Street Liquor Store in Charlottetown.

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Message From the Minister

The Honourable J. Léonce Bernard
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May It Please Your Honour:

Pursuant to the *PEI Liquor Control Act*
and as Minister designate,
it is my privilege to submit the
57th Annual Report of the
Prince Edward Island Liquor Control Commission.

Respectfully submitted,

Michael F. Currie
Minister of Development and Technology
Minister Responsible for
the Liquor Control Commission

Message From the Chair

The Honourable Michael F. Currie
Minister of Development and Technology and
Minister Responsible for the Liquor Control Commission
PO Box 2000
Charlottetown, PE C1A 7N8

Sir:

In compliance with Section 87(3) of the *PEI Liquor Control Act*, I have the honour to submit the 57th Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 2004, to March 31, 2005.

Respectfully submitted,

Gordon Coles

Gordon Coles
Chairman

Message From the CEO

Mr. Gordon Coles, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Coles:

I am pleased to report that fiscal 2004-2005 was the "best year" for the Prince Edward Island Liquor Control Commission since its existence. We recorded the highest gross sales in our history – more than $70 million which is 2.3 per cent higher than the previous year. That we continue with record growth is a tribute to the strategic direction set by our board and the dedication and hard work of all our employees. Thanks to their efforts, aided by effective retailing and merchandising, store upgrades and increased customer traffic and service made for a record dividend transfer – $28,528,645 to the Provincial Treasury – $0.67 million over the previous year.

While our financial success was our "best ever," we were also successful in developing benchmarks in the following areas which will be measured at the end of the next fiscal year:

1. Customer Service
2. Business Effectiveness
3. Workplace Quality and Employee Excellence
4. Social Responsibility and Public Safety

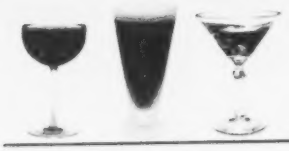
It will be the commission's goal to meet the strategy goals established for each area.

I would like to thank Mrs. Diane Douse, a commissioner member, whose term expired on May 28, 2004, for her dedication and commitment to the commission during her term.

I would also like to thank our customers, suppliers, employees and the Board of Commissioners for their support throughout the year.

Yours truly,

Wayne A. MacDougall
Chief Executive Officer



Management's Report

Mr. Gordon Coles, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Coles:

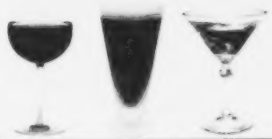
The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the commission. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with generally accepted accounting principles.

The commission maintains an accounting system and related controls to provide management and the commission with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Wayne A. MacDougall
Chief Executive Officer

Gordon D. Greene
Director of Finance



Corporate Governance

Corporate governance describes the process and structure for overseeing the direction and management of a crown corporation so that it effectively fulfills its mandate. This involves both its public policy and commercial objectives. It defines who is responsible for what and how to ensure accomplishment and accountability.

Liquor Control Commission Board

Back row from left:

*Murray Murphy, Solicitor; James Dyment, Member; Pam Campbell, Secretary; * Joe Richard, Member; Ralph Billard, Member; Wayne MacDougall, CEO*

Front from left:

** Gordon Coles, Chair; * George Mansfield, Vice-Chair;*

** serve on the Audit Committee*

Mandate of Commission Board

The mandate of the board is to supervise the business affairs of the commission. Its most important responsibilities are:

- ensuring that the PEILCC provides high-quality service to the public;
- developing and approving the strategic plan and monitoring management's success in meeting the strategic plan;
- approving annual financial plans;
- assessing and managing business risks; and
- ensuring that the PEILCC performs its regulatory role in a fair and impartial manner.

Appointment of Members of the Commission

The Lieutenant Governor in Council, through an order-in-council, appoints the members of the commission, establishes the honorariums and designates the chair and vice-chair.

Responsibilities of Commission Members

Each commission member has individual responsibilities for corporate governance, including:

- acting honestly and in good faith in making decisions with a view to the best interests of the PEILCC and all its stakeholders;
- overseeing the management of the business affairs of the PEILCC;
- avoiding conflicts of interest;
- having adequate knowledge of the PEILCC's business, how it is organized and how it functions;
- attending commission meetings and seeking professional advice where necessary;
- providing guidance on policy development; and
- reviewing appeals of denials of listing applications.

Audit Committee

The Audit Committee is composed of three commission members elected annually by the commission. The committee ensures the reliability and accuracy of the PEILCC's financial statements, helps co-ordinate and improve internal control functions, and ensures the PEILCC adheres to sound corporate governance principles.

The committee:

- monitors the commission's activities and operations;
- reviews the PEILCC policy and procedures manuals to ensure they describe accurately the procedures and activities and sets out appropriate control and management processes;
- meets with the auditor to review the commission's audit;
- identifies the principal risks facing the business and reviews systems to manage these risks; and
- oversees the production of the Annual Report.

Accountability to Government and Public

The PEILCC is held accountable by the Government and people of PEI in a number of ways, including:

- the Annual Report, tabled in the Provincial Legislature and available for all Islanders to review, either in print or online at ***www.peilcc.ca***;
- annual audits of the PEILCC's financial statements by the auditor;
- public access to records under the *Freedom of Information and Protection of Privacy Act*; and
- publicly appointed commission members.

Management Team of the PEI Liquor Control Commission

From left:

Gordon D. Greene, Director of Finance; Ian K. Burge, Director of Purchasing and Distribution; Lynn Duffy, Human Resources Manager; Fred J. MacDonald, Director of Sales and Marketing; Ken M. Hicks, Director of Licensing and Security; Wayne A. MacDougall, CEO

Organizational Chart

Alberton
Borden-Carleton
Cardigan
Charlottetown Mall
Cornwall
Kensington
Montague
North Rustico
Oak Tree
O'Leary
Queen Street
Sherbrooke
Souris
Stratford
Summerside
Tignish
Tyne Valley
Wellington
Wood Islands

Morell Agency Store

Organizational Chart

Alberton	North Rustico	Summerside
Borden-Carleton	Oak Tree	Tignish
Cardigan	O'Leary	Tyne Valley
Charlottetown Mall	Queen Street	Wellington
Cornwall	Sherbrooke	Wood Islands
Kensington	Souris	
Montague	Stratford	Morell Agency Store

Operational Review

Executive Summary

The Prince Edward Island Liquor Control Commission (PEILCC) is a crown corporation responsible for the administration of the *PEI Liquor Control Act* and Regulations, along with the purchase, control and sale of all beveraged alcohol in the province.

A five-member board of commissioners is responsible for the commission's activities. The chairperson reports to the Minister of Development and Technology who is also Minister Responsible for the *PEI Liquor Control Act*.

The mandate under the *PEI Liquor Control Act* has two primary components – regulatory and commercial.

The regulatory function is carried out by the commission's Licensing and Security Department which is responsible for licensing and inspecting all licensed premises and special permit functions.

It also investigates and reports on all licensee complaints and determines whether there were infractions of the *PEI Liquor Control Act*.

On the commercial side, the commission is a major force in the provincial economy with sales in excess of $70 million making it one of the largest retail organizations in Prince Edward Island.

In terms of monetary transfers to the Provincial Treasury, this year's was the greatest transfer ever with more than $28.5 million forwarded to the province.

The commission presently operates 19 retail outlets which are all now self-serve in design. In addition, the commission operates a central warehouse and Licensee Distribution Centre located in Charlottetown. The commission has contracted with private interests for the operation of an Agency Store in Morell, PEI.

The commission has a five-year strategic plan which guides the commission in successfully meeting its performance and accountability goals.

In our strategic plan, the commission has focussed on five key areas for measuring our performance:

1. Financial Performance;
2. Customer Service;
3. Business Effectiveness;
4. Workplace Quality; and
5. Social Responsibility.

These areas serve as a blueprint for incorporating our Mission Statement into day-to-day activities. Our goals and objectives will be set and measured with the results being reported in the next annual report.

Sommaire

La Régie des alcools de l'Île-du-Prince-Édouard (R.A.Î.-P.-É.) est une société de la Couronne responsable de l'administration de la Liquor Control Act (Loi sur les alcools) et de ses règlements ainsi que de l'achat, du contrôle et de la vente de toutes les boissons alcoolisées dans la province.

Un conseil formé de cinq commissaires est responsable des activités de la Régie. Le président répond au ministre du Développement et de la Technologie qui est également ministre responsable de la Loi sur les alcools.

En vertu de la Loi sur les alcools, le mandat de la Régie comprend deux volets : l'un est réglementaire, l'autre commercial.

La fonction réglementaire est assumée par le Service de délivrance des permis et de sécurité qui est responsable de l'octroi des permis et de l'inspection de tous les débits de boisson ainsi que des activités nécessitant des permis spéciaux.

Le Service de délivrance des permis se charge également d'enquêter et de faire rapport à propos des plaintes, et il décide s'il y a eu infraction ou non à la Loi sur les alcools.

Du côté commercial, la Régie est une force économique importante de la province; ses ventes qui dépassent les 70 millions de dollars en font l'un des plus grands commerces de détail de l'Île-du-Prince-Édouard.

La présente année, exprimée en transferts monétaires, représente le plus fort apport au Trésor de la province, soit 28,5 millions de dollars.

À l'heure actuelle, la Régie exploite dix-neuf (19) points de vente au détail libre-service. De plus, la Régie exploite un entrepôt central et un centre de distribution pour les titulaires de licences, à Charlottetown, et elle a conclu un contrat avec des intérêts privés afin d'exploiter un magasin de franchise à Morell, Î.-P.-É.

La Régie a élaboré un plan quinquennal qui lui sert de guide afin de réaliser ses objectifs de rendement et de responsabilité.

Selon son plan stratégique, la Commission mesure son rendement par rapport à cinq domaines clés :

1. Rendement financier
2. Service à la clientèle
3. Efficacité commerciale
4. Qualité du lieu de travail
5. Responsabilité sociale

Ces domaines d'activité servent de plan, nous aidant à incorporer notre énoncé de mission dans nos activités quotidiennes. Nos buts et objectifs seront établis et mesurés et les résultats feront partie de la prochaine rapport annuel.

Marketing and Merchandising

The Prince Edward Island Liquor Control Commission enjoyed another successful year sending a record transfer to the Provincial Treasury. Toward that end, the Marketing and Merchandising Department assisted by helping to create a store environment that encouraged customers, both local and tourists, to shop the entire store in the hopes of making their shopping experience a pleasant one. Modern shelving, a "bright, up-beat" atmosphere, knowledgeable and friendly staff, wide aisles, an excellent assortment of products, cold beer and a boutique featuring popular branded merchandise are now standard features at almost every PEILCC store.

To ensure that the right products are in the right place at the right price, the commission has begun a category analysis of each and every store in the province. This undertaking has identified brands that are making the grade and brands that are no longer appealing in the Prince Edward Island market. The shelf space made available through the category and shelf management process will enable the commission to take in products that will appeal to Islanders and tourists and of course help in the commission's goal of another record transfer. In time, all of the commission's stores will have undergone the category review.

In addition to the category and shelf management analysis, the commission has been working tirelessly with its staff in customer service especially in the product knowledge area. Although Product Knowledge I is now a requirement of employment, it does not end there. More and more staff are continuing to complete Level II and III, the same Product Knowledge Program that is available through the Liquor Control Board of Ontario.

To further assist store staff in the product knowledge area, the commission partnered with the Culinary Institute of Canada in taking in a number of high-profile product knowledge experts in the field for seminars. All stores across the Island were well represented as wine-maker Alan Jackson of Jackson Triggs Wines and Michael Delevante of Wray & Nephew (Appleton Rums) visited Prince Edward Island for seminars at the institute. Jackson spoke at length not just about Jackson Triggs Wines but about the British Columbia Okanagan Wines and how they differ from other Canadian wines.

Delevante also gave a wonderful presentation on rums in the Wray & Nephew (Appleton) portfolio and conducted numerous blind tastings outlining the differences in the various rums. The feedback from store staff on both these seminars was extremely positive and the commission feels this type of educational training will become part of the overall product knowledge package.

In addition to the monthly theme displays (Mother's Day, Father's Day, St Patrick's Day, Valentine's Day, etc.) and a wide assortment of monthly in-store displays, the Marketing and Merchandising Department conducted an Island-wide display competition in conjunction with one of its industry partners. Last year, the commission partnered with Bolla Wines in an Island-wide competition, an event which created a great deal of interest among the various store staff. These competitions not only assist in the building of staff morale but generate additional sales for the commission.

To better serve its customers, the PEI Liquor Control Commission has provided an online ordering program for its licensees at ***www.peiliquor.pe.ca*** and a website for the general public ***www.peilcc.ca***. More and more licensees are taking advantage of the online ordering program which not only saves a great deal of time but also provides users with monthly on-sale specials, added values and an assortment of other programs of special interest to licensees. The website for the general public contains similar information in addition to upcoming events like the annual Wine Festival.

The Marketing and Merchandising Department offers a wide range of marketing programs which are attractive to suppliers and the general public as well as an assortment of branded merchandise, much of which is available only at PEILCC stores.

Human Resources

Staffing

The number of classified positions in the Liquor Control Commission has remained constant over the past year. There are currently 135 classified full- and part-time positions. Various part-time casual employees are hired throughout the year to assist with the ongoing workload in each of the retail stores. In addition to this there are 71 seasonal positions filled each summer. These positions are filled by employees recalled from the previous season. This year, of the 71 seasonal employees, 60 from the previous summer returned for another year and 11 new employees were hired for the 2004 summer. The recalled employees are certainly proving to be a valuable asset to the commission as they gain in knowledge and experience with each passing year.

There have been a limited number of staff changes – a retirement, a number of employees on leaves of absence, and those participating in income averaging programs. The leaves of absence have presented opportunities for other employees to gain enhanced supervisory experience. The absences are filled by way of temporary assignments whereby store clerks are promoted to senior clerks, or senior clerks are promoted to managers. The knowledge they gain in these new roles will be undoubtedly valuable to them in the future. Temporary assignments have also opened up opportunities for employees from other departments. These employees bring their own knowledge and perspective to the role which enhances the job to be performed. The Liquor Control Commission continues to encourage self-improvement and increased knowledge of the retail business among its staff and promotes initiatives which work toward this end.

Special Programs

In March 2005, the provincial government announced a Workforce Renewal Program which allowed employees to voluntarily leave the public service with incentives not normally offered to departing employees. It remains to be seen how many Liquor Control Commission employees participate in this program.

Training

Training is offered to Liquor Control Commission employees on an ongoing basis. The Product Knowledge Course continues to be available to all and there has been increased emphasis placed on encouraging casual employees to participate in this study course.

The SuperHost seminar is offered on an annual basis to a wide section of employees prior to the onset of summer. Training in Basic Fall Protection and WHMIS is offered to our warehouse employees and CPR and First Aid are offered to all. The commission attempts to ensure that each store has employees on staff whose training is current in the areas of CPR and First Aid. Safety issues remain in the forefront at all times. Each store now has an Occupational Health and Safety representative and safety concerns are addressed promptly. Training for these reps is made available.

French language training is offered by the provincial government on a regular basis. Employees whose jobs require the skill or whose jobs would be enhanced with this skill are eligible to participate. The Liquor Control Commission has a number of employees who are hoping to increase the skills they already have in this area and will be offered the opportunity to do so when classroom openings become available.

Learning opportunities offered by the provincial government, in conjunction with other institutions such as UPEI, have been accessed by our employees. Those include courses such as Communication in the Workplace, Handling Difficult Conversations, Leadership Theories, Continuous Learning and Building Organizational Trust.

The Training and Development Fund provided by the provincial government has been a valuable resource in assisting some employees to participate in training opportunities.

Fundraising

The Casual Day Program, supported by the employees of the Liquor Control Commission, generates funds which are then donated to various organizations and other worthwhile causes. This year those who received funding included:

- ALS Society of PEI (Lou Gehrig's Disease)
- Canadian Cancer Society (Daffodil Campaign)
- Canadian Diabetes Association
- Cure Foundation (Breast Cancer Research)
- Easter Seals Campaign
- IWK Foundation
- Parkinson's Society
- Terry Fox Foundation
- United Way Campaign
- Other specific fundraising efforts directed toward employees dealing with critical situations

Financial

For the fiscal year ended March 31, 2005, gross sales were $70,967,804 which is an increase of $1,629,244 over the previous year.

Net profit for the year, plus health and sales taxes, totaled $28,528,645. This is an increase over the 2003-2004 contribution to the province by $677,992 and represents our best year ever in terms of monetary transfer to the Provincial Treasury.

The commission's business is international in scope with approximately $28,618,000 spent on the purchase of beveraged alcohol. Gross margins have decreased by 0.6% as a result of higher transportation costs due to higher fuel costs.

Gross sales increased as a result of the commission's strategy of attracting more customers into our liquor stores. In 2004-2005, the commission served 2,485,412 customers, an increase of 43,695. This increase is a result of opening on two statutory holidays and an increase in merchandising promotions.

Social Responsibility and Public Safety

The PEI Liquor Control Commission continues to promote the responsible use of alcohol through various awareness programs. In fiscal year 2004-2005, information was dispensed on FAS (Fetal Alcohol Syndrome), Buying Alcohol for Minors and various Don't Drink and Drive messages. During peak times such as graduation, Christmas and New Year's, responsible use messages were distributed through the local media.

The commission participates on a number of committees such as Provincial Impaired Driving Committee, SADD, Canadian Association of Liquor Jurisdictions Social Responsibility Committee and sponsors the responsible beverage course – It's Our Business.

During 2004-2005, the commission hosted the national convention for the Canadian Association of Liquor Jurisdictions' Social Responsibility Committee and assisted in the development of a new off-road poster program to be rolled out in the summer of 2005.

The commission strives to provide products that are socially responsible and incorporates responsible messaging into the product promotion.

The commission continues to actively support various groups through coin box collections in the retail outlets. In fiscal 2004-2005, groups such as Parkinson's Society, IWK, SADD, Canadian Diabetes, Cancer Society, ALS and UNICEF have received benefits from this activity.

In addition to the above, commission staff collected over $3,000 for IWK Children's Hospital through Dress Down Days; and the auction held in conjunction with the Wine Festival raised $5,635 for the Island Hospice.

The commission continues to strive for optimal compliance to the *Liquor Control Act*, Regulations and Policies in all areas. Store staff continue to check and verify the age of customers entering our stores and also continue to refuse intoxicated persons. To this end, in 2004-2005 they checked 43,929 people suspected of being underage or intoxicated and turned away approximately 2,754.

Inspection staff performed 4,937 compliance inspections during this fiscal year which was slightly down from previous years. However, the effectiveness of these inspections was increased as the inspectors spent more time on problem areas and investigations. During these inspections, inspectors checked 4,097 IDs and worked with other agencies on three occasions on compliance issues. They also checked 33 Special Permits for compliance which is approximately 10 per cent of the permits issued. Investigations resulted in the suspension of two licences for a period of 14 days and three warning letters were issued.

Public concern around the issue of the illegal sale of alcohol led to the commission initiating statute changes to enable enforcement in a more efficient manner. *The Liquor Control Act* was adjusted to:

a) increase fines for illegal sale of alcohol,

b) allowing for the seizing of assets connected to the illegal sale of alcohol, and

c) change the definitions of alcohol and beer.

Special Permits Issued

	2005	2004	2003	2002	2001
Class I	81	52	37	52	55
Class II	209	218	273	238	238
Total	290	270	310	290	293

During the 2004-2005 fiscal year, the commission continued its commitment to social responsibility in the areas of alcohol service and community support.

The commission partnered with a number of outside agencies in shared activities including:

- As an active member of the CALJ (Canadian Association of Liquor Jurisdictions) Social Responsibility Committee, the commission has participated in the ongoing development of information packages on responsible use and service on a national basis.
- Supported provincial SADD activities where possible and assisted in sending PEI SADD students to the national CYAID Conference on impaired driving and youth.
- Advertised in the local media Safe Prom Tips for Parents and Students during school and university graduation times.
- Raised monies for IWK through weekly staff Dress Down Days.
- In conjunction with the ATHI (Atlantic Tourism and Hospitality Institute), the commission continues to provide the mandatory server program It's Our Business which is an awareness program for staff of licensed premises.
- Distributed information on Fetal Alcohol Syndrome throughout our stores.
- Donated $5,635 to the Island Hospice Association – the proceeds of the Wine Festival Silent Auction.

Acknowledgements

The achievements outlined in this document can only be accomplished with the loyalty and dedication of our employees. The valued support and guidance of the Board of Commissioners is equally important and gratefully acknowledged.

The commission acknowledges the valuable assistance of the RCMP, municipal police departments, fire marshal and other enforcement agencies throughout the province; as well as other provincial and federal government departments and the Union of Public Sector Employees Management.

Statistics

PEI Liquor Control Commission Annual Report 2005

The statistical information listed below is contained in the following pages:

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Licences in Effect – March 31, 2004 and March 31, 2005 ..... Page 27

Licences in Effect – Five-year Comparison ..... Page 28

Premise Licences Issued 2004/2005 ..... Page 29

Licences Not Renewed/Surrendered 2004/2005 ..... Page 30

Permits Issued – Five-year Comparison ..... Page 31

Retail Sales by Stores 2004/2005

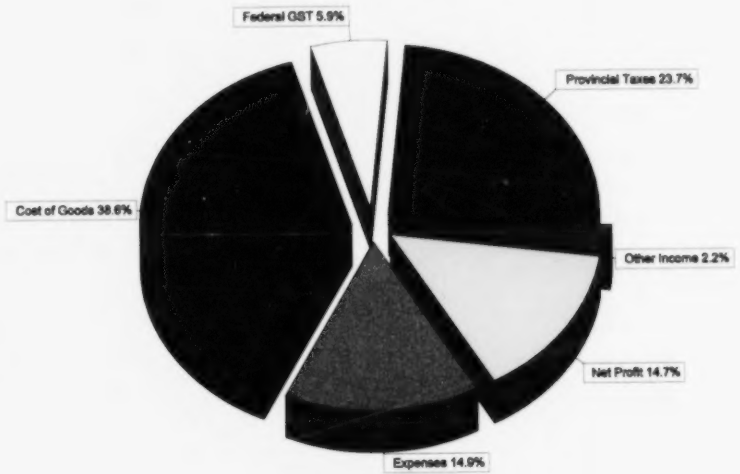
Retail Store	Year Ended March 31, 2005	Year Ended March 31, 2004	Increase (Decrease)
Alberton	$1,414,524	$1,854,478	($439,954)
Borden/Carleton	1,420,392	1,418,121	2,271
Cardigan	1,908,282	1,874,028	34,254
Charlottetown Mall	6,804,552	6,570,608	233,944
Charlottetown – Queen Street	2,693,065	2,203,937	489,128
Cornwall	3,529,931	3,440,230	89,701
Kensington	2,973,309	2,858,604	114,705
Licensee Distribution Centre	5,266,738	5,326,507	(59,769)
Montague	3,804,911	3,793,908	11,003
North Rustico	2,872,499	2,855,310	17,189
O'leary	1,460,906	1,457,289	3,617
Oak Tree Place	12,270,866	12,264,260	6,606
Sherbrooke	6,264,311	6,192,222	72,089
Souris	2,267,895	2,313,493	(45,598)
Summerside Waterfront	5,270,119	5,017,828	252,291
Stratford	5,841,669	5,548,098	293,571
Tignish	1,904,494	1,400,351	504,143
Tyne Valley	924,013	929,192	(5,179)
Wellington	1,144,901	1,166,982	(22,081)
Wood Islands	532,789	575,677	(42,888)
Warehouse	397,638	277,437	120,201
Total	**$70,967,804**	**$69,338,560**	**$1,629,244**

Summary of Profit and Expense Ratios
Five-year Comparison

(in 000s)

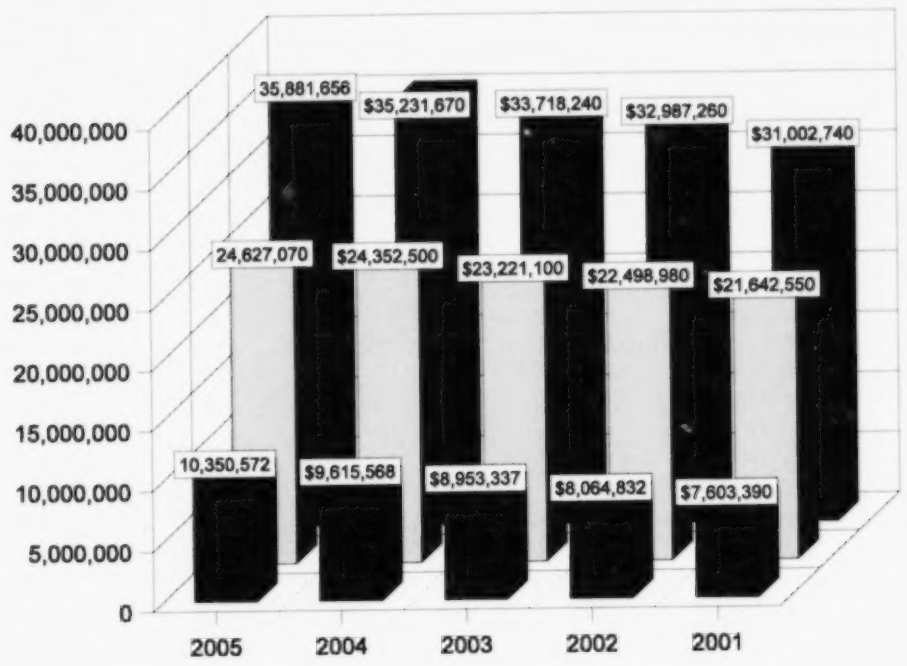
	2005	2004	2003	2002	2001
Sales	$70,968	$69,339	$66,003	$63,716	$60,395
Gross Profit	$20,343	$20,158	$18,887	$18,482	$17,437
Net Profit	$10,928	$10,643	$10,071	$10,178	$10,035
General and Administrative Expenses	$11,036	$10,809	$9,998	$9,201	$8,492
Gross Profit as Percentage of Sales	28.7%	29.1%	28.6%	29.0%	28.9%
Net Profit as Percentage of Sales	15.4%	15.3%	15.3%	16.0%	16.6%
General and Administrative Expenses as Percentage of Sales	15.6%	15.6%	15.1%	14.4%	14.1%

Income Allocation
Year Ended March 31, 2005



	Sales		$70,967,804
	Provincial Taxes	$17,600,352	
	Federal GST	$4,406,805	
	Cost of Goods	$28,617,562	
	Expenses	$11,036,105	
	Other Income	$1,621,313	
	Net Profit		**$10,928,293**

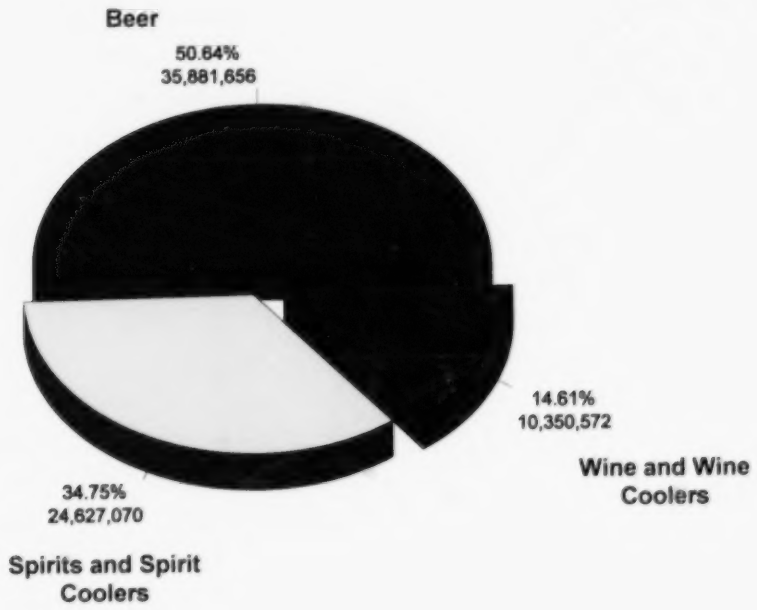
Sales Comparison 2005-2001



Five-year Trend					
	2005	2004	2003	2002	2001
Beer	$35,881,656	$35,231,671	$33,718,236	$32,987,258	$31,002,745
Spirits and Spirit Coolers	$24,627,070	$24,352,497	$23,221,096	$22,498,984	$21,642,547
Wine and Wine Coolers	$10,350,572	$9,615,568	$8,953,337	$8,064,832	$7,603,390

Merchandising sales figures for 2005 were $108,506
compared to merchandising sales figures for 2004 which were $138,824.
These figures are not included in the above chart or table.

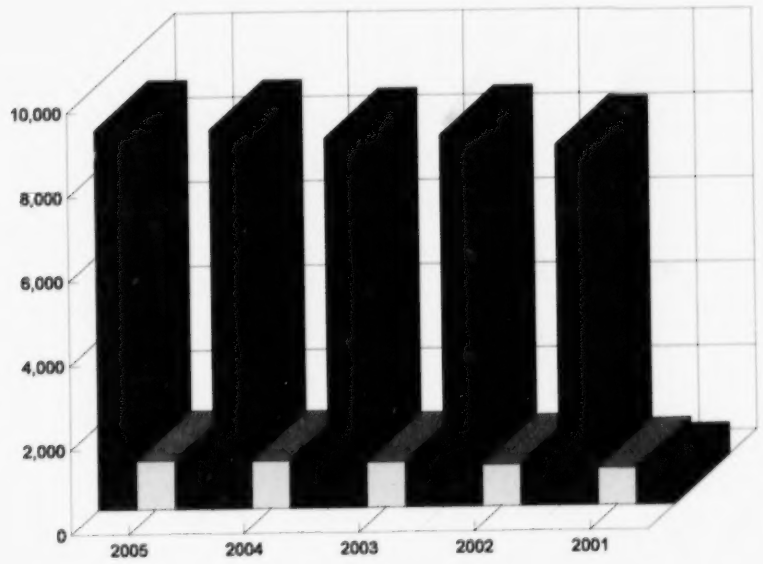
Sales – Year Ended March 31, 2005



Sales	
Beer	$35,881,656
Spirits and Spirit Coolers	$24,627,070
Wine and Wine Coolers	$10,350,572
Total	**$70,859,298**

Sales figures for 2005 also include $108,506 for merchandising which is not included in the above chart or table.

Volume Sales
Five Years Ended March 31, 2005



	Five-year Trend				
	2005	2004	2003	2002	2001
Beer	8,986	8,977	8,748	8,794	8,537
Spirits and Spirit Coolers	1,160	1,131	1,073	987	883
Wine and Wine Coolers	896	850	820	772	741

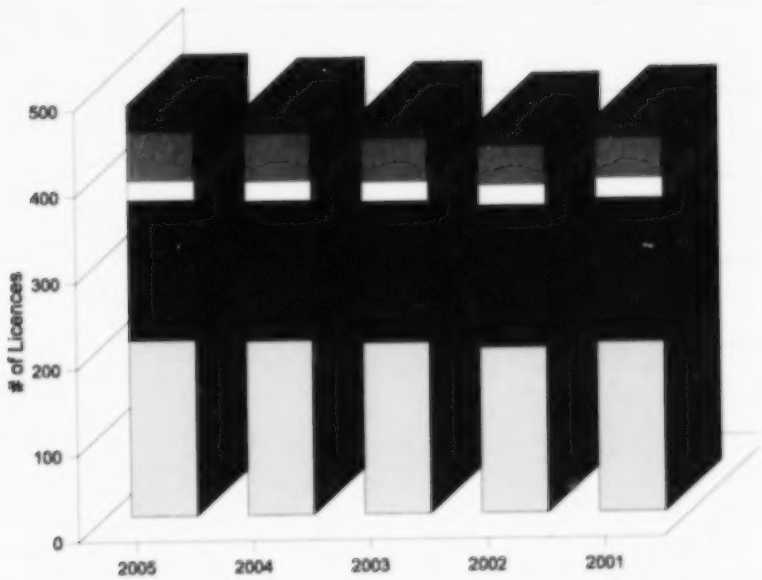
Figures are in kilolitres

Licences in Effect
March 31, 2004 and March 31, 2005

Licence Type	2005	2004
Dining Room	201	202
Lounge	91	93
Club	68	69
Military Canteen	23	23
Special Premise	54	55
Caterer	21	20
Agency Store	1	1
Winery	1	1
Brew-Pub	0	0
Micro-Brewery	1	1
Tourist Home	7	5
Total Licences in Effect	**468**	**470**

During the 2004-2005 fiscal year,
the Licensing and Security Department issued 39 new licences
and 41 licences were either not renewed or were voluntarily surrendered.

Licences in Effect
Five-year Comparison



		2005	2004	2003	2002	2001
	Dining Room	201	202	199	192	197
	Lounge	91	93	95	92	92
	Club	68	69	68	72	74
	Military Canteen	23	23	23	24	24
	Special Premise	54	55	50	45	46
	Caterer	21	20	20	17	17
	Agency Store	1	1	1	1	1
	Winery	1	1	1	1	1
	Brew-Pub	0	0	0	0	0
	Micro-Brewery	1	1	1	1	1
	Tourist Home	7	5	6	5	3
Totals		**468**	**470**	**464**	**450**	**456**

Premise Licences Issued 2004/2005

Caterers
- St. James Gate
- Piazza Joe's Dining Room
- Café on the Clyde
- Gulnare Dining Room

Dining Rooms
- O'Shea's Pub & Eatery
- Gulnare Dining Room
- Shipyard Market Dining Room
- Summer St. Barz
- Darcy McGee's
- J.R.'s Place Dining Room
- Razzy's Roadhouse Dining Room
- Flying Club Roadhouse
- Rush Hour Dining Room
- Stratford Pizza Delight
- Maple Grille
- Willow Cottage Inn
- Green Jade Café
- Farmer and Fisherman Restaurant
- Pizza Delight – Cornwall
- T & K Country Kitchen
- Rusty Pelican Café
- Malpeque Oyster Barn
- Cora's Breakfast & Lunch

Special Premises
- Northumberland Arena
- Rollo Bay Greens
- Avondale Golf Course

Lounges
- Farmer and Fisherman Lounge
- O'Shea's Pub & Eatery
- Gulnare Lounge
- Shipyard Market Lounge
- Summer St. Barz
- Darcy McGee's
- J.R.'s Place Lounge
- Razzy's Roadhouse Lounge
- Flying Club Roadhouse
- Rush Hour Lounge

Club
- Second Story Lounge

Tourist Homes
- Inns on Great George
- Northport Pier Inn

Total Licences Issued = 39

Licences Not Renewed/Surrendered 2004/2005

Caterers

Cajan Jacques Restaurant
Manhattan's Restaurant
Bonnie Brae Dining Room

Dining Rooms

Razzy's Roadhouse Restaurant
Summer St. Barz
Darcy McGee's
McAssey's Dining Room
Melons
Coffee Cup Café Dining Room
Manhattan's Restaurant
Bonnie Brae Restaurant
Abby III Restaurant
Barry's Down East Eatery
Rush Hour Dining Room
Michael's Pizzeria
Beanz Espresso Bar
Carousel Tea Room
Catherine MacKinnon's Spot O'Tea
Pizza Shack
Mexico Lindo
Tajmahal, The East Indian Cuisine
Sunrise Restaurant
Cora's Breakfast & Lunch

Lounges

Razzy's Roadhouse Lounge
Summer St. Barz
Darcy McGee's
McAssey's Dining Room
Melons
Coffee Cup Café Lounge
Manhattan's Lounge
The Highlander Lounge
Junction Pub
Abby III Oyster Lounge
Barry's Down East Eatery
Rush Hour Lounge

Special Premises

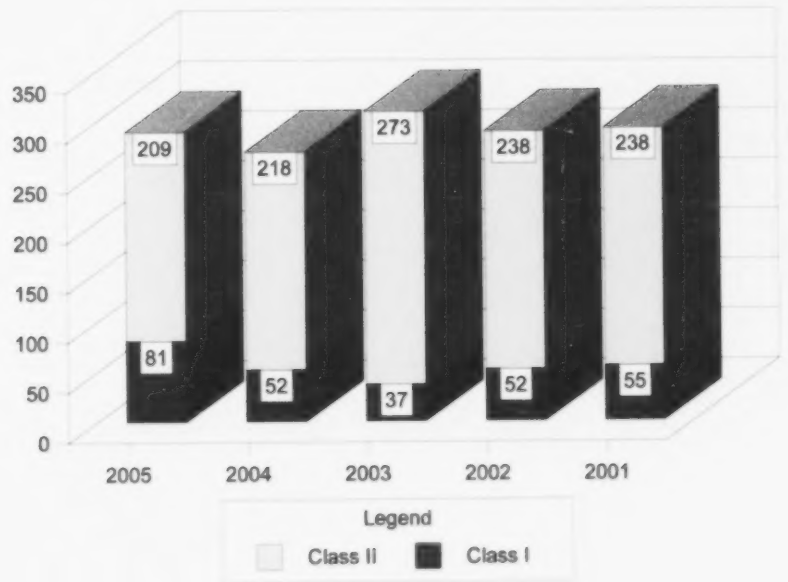
Carmody Comedy Barn
Avondale Golf Course
Kings Playhouse Act II
Drive It Golf

Clubs

Silver Threads Senior Citizens
Summerside Kinsmen Club

Licences Not Renewed/Surrendered = 41

Permits Issued
Five-year Comparison



		2005	2004	2003	2002	2001
	Class I	81	52	37	52	55
	Class II	209	218	273	238	238

A Class I permit entitles host to give beverages to guests.
A Class II permit entitles host to sell beverages to guests.

Prince Edward Island Liquor Control Commission Retail Liquor Outlets

Location	Manager
Alberton	Stephen Callaghan
Borden-Carleton	Donald Howatt
Cardigan	Richard Llewellyn
Charlottetown Mall	Stan Bryanton
Cornwall	William MacMillan
Kensington	Terry Lynn MacKenzie
Montague	Richard Llewellyn
Morell Agency	Donna Webster
North Rustico	Terry Lynn MacKenzie
Oak Tree	John Abbott

Location	Manager
O'Leary	Stephen Callaghan
Queen Street	Urban MacDonald
Sherbrooke	Ronald Yeo
Souris	Paul Deveau
Summerside Waterfront	Barb Simpson
Stratford	Alan Crane
Tignish	Sandra Hawley
Tyne Valley	Clarence Richard
Wellington	Clarence Richard
Wood Islands	Richard Llewellyn

Efficient Monetary Management

1.11% Warehouse and Distribution
3.88% Administration

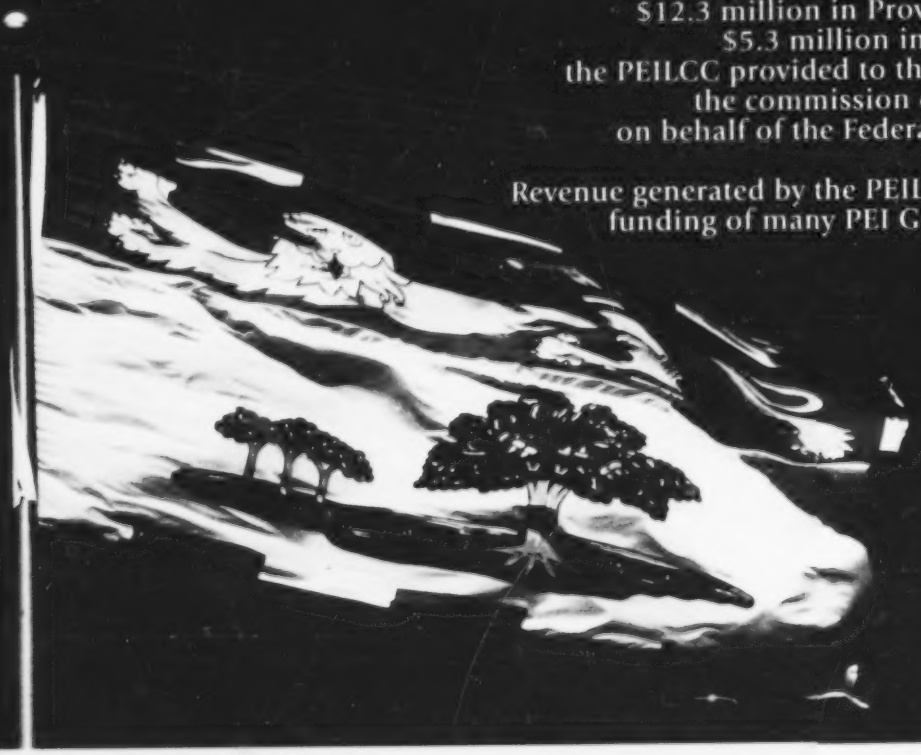
12.57% Store Operations

36.9% Profit and Taxes

45.54% Cost of Stock

In the 2004-2005 fiscal year, over and above the $28.5 million ($10.9 million in net profit, $12.3 million in Provincial Health Tax and $5.3 million in Provincial Sales Tax) the PEILCC provided to the Provincial Treasury, the commission collected $4.4 million on behalf of the Federal Government (GST).

Revenue generated by the PEILCC contributes to the funding of many PEI Government programs.



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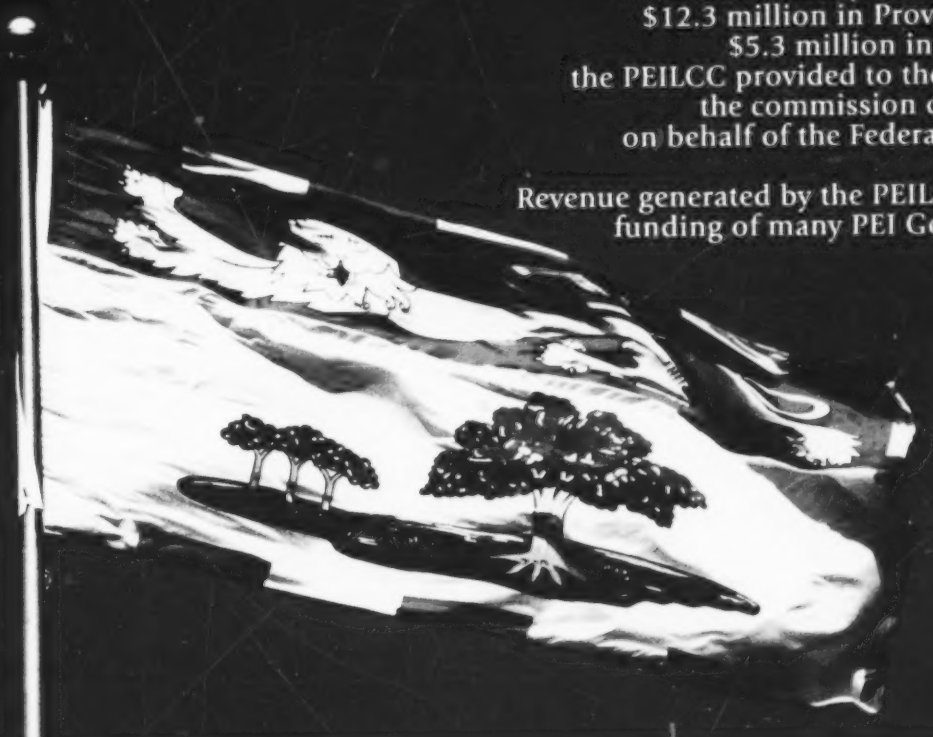

Appendix

Auditor's Report and Audited Financial Statements

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2005

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Liquor Control Commission

I have audited the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 2005 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
May 25, 2005

STATEMENT 1

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

AS AT MARCH 31, 2005

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash	$1,321,989	$ 854,889
Accounts receivable	305,817	203,456
Inventories - Note 1(b)	2,633,280	2,659,695
Prepaid expenses	65,422	79,025
	4,326,508	3,797,065
Capital assets - Notes 1(a) and 2	4,294,742	5,002,130
	$8,621,250	$8,799,195
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accruals - General	$1,615,522	$ 941,564
- Province of P.E.I.	220,366	77,158
Debentures payable - current portion - Note 4	666,039	772,411
Due to the Province with respect to net income - Note 1(c)	1,935,492	2,458,192
	4,437,419	4,249,325
LONG TERM LIABILITIES		
Debentures payable - Note 4	4,183,831	4,549,870
	$8,621,250	$8,799,195

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE COMMISSION:

COMMISSIONER: _____

COMMISSIONER: _____

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2005

		2005		2004
SALES		$70,967,804		$69,338,560
Less: Provincial Health Tax	$12,255,953		$12,004,386	
Provincial Sales Tax	5,344,399		5,203,060	
Federal Goods & Services Tax	4,406,805	22,007,157	4,285,882	21,493,328
NET SALES		48,960,647		47,845,232
COST OF GOODS SOLD		28,617,562		27,686,895
GROSS PROFIT		20,343,085		20,158,337
EXPENSES				
Amortization	916,058		851,781	
Insurance and taxes	187,319		191,870	
Interest on long-term debt	329,858		337,860	
Leases - Note 3	882,997		894,739	
Other operating expenses	742,038		728,122	
Repairs and maintenance	509,762		494,982	
Salaries and benefits - Note 5	6,454,130		6,296,971	
Store and office expenses	277,842		314,611	
Travel	111,957		101,396	
Utilities	624,144	11,036,105	596,905	10,809,237
		9,306,980		9,349,100
OTHER INCOME		1,621,313		1,294,107
NET INCOME - Note 1(c)		$10,928,293		$10,643,207

(The accompanying notes are an integral part of these financial statements.)

STATEMENT 3

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Cash provided by (used for):		
OPERATING ACTIVITIES		
Net income for the year	$10,928,293	$10,643,207
Amounts charged against income not requiring an outlay of cash:		
Amortization	916,058	851,781
Loss (Gain) on disposal of capital assets	-	(30,170)
	11,844,351	11,464,818
Changes in non-cash working capital:		
(Increase) Decrease in accounts receivable	(102,361)	1,398
(Increase) Decrease in inventories	26,415	82,458
(Increase) Decrease in prepaid expenses	13,603	46,399
Increase (Decrease) in accounts payable	817,166	21,226
Net cash provided by operating activities	12,599,174	11,616,299
FINANCING ACTIVITIES		
Cash payments to Provincial Treasury	(11,450,993)	(10,967,542)
Loans from Province	300,000	1,205,000
Debenture repayment	(772,411)	(632,465)
Net cash used for financing activities	(11,923,404)	(10,395,007)
INVESTING ACTIVITIES		
Acquisition of capital assets	(208,670)	(1,233,949)
Proceeds on disposition of capital assets	-	30,170
	(208,670)	(1,203,779)
Increase in cash	467,100	17,513
Cash at beginning of year	854,889	837,376
Cash at end of year	$ 1,321,989	$ 854,889

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

1. Summary of significant accounting policies

(a) Capital Assets
Capital assets are stated at cost less accumulated amortization. Amortization of buildings, furniture and equipment and leasehold improvements are calculated on a straight-line basis at the rates indicated in Note 2.

(b) Inventories
Inventories are valued at the lower of first-in, first-out cost and net realizable value.

(c) Net Income
All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Operating Fund on a continuing basis as excess cash becomes available.

2. Capital Assets

		2005			2004
	Amortization Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		$ 85,537	$ -	$ 85,537	$ 85,537
Buildings	5%	4,316,134	2,836,787	1,479,347	1,447,890
Equipment	10 & 20%	1,237,669	1,146,997	90,672	139,092
Vehicles	30%	100,850	45,382	55,468	85,722
Leasehold Improvements	10%	3,952,905	2,108,828	1,844,077	2,195,972
Financial Information System	20%	1,953,994	1,214,353	739,641	1,047,917
		$11,647,089	$7,352,347	$4,294,742	$5,002,130

3. Leases

The Prince Edward Island Liquor Control Commission leases various pieces of computer hardware and software as well as 13 retail outlets which have maturity dates between fiscal 2006 and 2018. Future minimum lease payments are as follows:

Fiscal Years	Amount
2006	$ 712,418
2007	526,708
2008	440,522
2009	375,527
2010	352,024
2011-2018	1,634,344
	$4,041,543

4. Debentures Payable - Province of Prince Edward Island

	Balance March 31, 2005	Less Current Portion	Long Term Liability
Cornwall Repayable in equal annual installments of $35,184 including interest @ 6.75% per annum, maturing December 10, 2006.	$ 63,835	$ 30,875	$ 32,960
Stratford Repayable in equal annual installments of $40,415 including interest @ 7.375% per annum, maturing February 10, 2007.	72,692	35,054	37,638
Borden-Carleton Repayable in equal annual installments of $37,442 including interest @ 5.74% per annum, maturing January 21, 2008.	100,565	31,669	68,896
Kensington Repayable in equal annual installments of $49,143 including interest @ 6.70% per annum, maturing November 8, 2009.	203,126	35,534	167,592
North Rustico Repayable in equal annual installments of $38,936 including interest @ 6.79% per annum, maturing March 24, 2010.	160,547	28,035	132,512
Charlottetown (Oak Tree) Repayable in equal annual installments of $197,398 including interest @ 6.79% per annum, maturing March 24, 2010.	813,942	142,131	671,811
Cardigan Repayable in equal annual installments of $55,381 including interest @ 6.40% per annum, maturing February 16, 2011.	268,941	38,170	230,771
Summerside (Waterfront) Repayable in equal annual installments of $88,042 including interest @ 6.77% per annum, maturing July 18, 2011.	478,314	55,660	422,654

Debentures Payable - Province of Prince Edward Island (continued)

	Balance March 31, 2005	Less Current Portion	Long Term Liability
Financial Information System Repayable in equal annual installments of $195,599 including interest @ 6.57% per annum, maturing March 28, 2012.	1,070,126	125,291	944,835
Wood Islands Repayable in equal annual installments of $33,052 including interest @ 5.85% per annum, maturing November 27, 2012.	206,467	20,973	185,494
Charlottetown (Queen Street) Repayable in equal annual installments of $60,016 including interest @ 5.61% per annum, maturing August 1, 2013.	415,229	36,722	378,507
Tignish Repayable in equal annual installments of $99,684 including interest @ 5.40% per annum, maturing January 9, 2014.	696,086	62,096	633,990
Charlottetown (Head Office) Repayable in equal annual installments of $38,889 including interest @ 5.02% per annum, maturing March 7, 2015.	300,000	23,829	276,171
	$4,849,870	$666,039	$4,183,831

The total principal repayment for the next five years is as follows:

2006	$ 666,039
2007	708,740
2008	678,603
2009	684,208
2010	727,857
Total	$3,465,447

5. Pension and Other Employee Benefits

Employees of the Prince Edward Island Liquor Control Commission are members of the Prince Edward Island Civil Service Superannuation Plan. Other employee benefits and the employer's share of the plan benefits plus any additional future actuarial liabilities are assumed by the Province of P.E.I. and are not reflected in the Commission's financial statements.

6. Fair Value of Financial Instruments

The fair value of the Commission's cash, accounts receivable, accounts payable and accruals, debentures payable and due to the Province approximates their carrying amounts.

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